

Bimal Jain

FCA, FCS, LLB, B.Com (Hons)

Dear Professional Colleague,

The Union Budget, 2014 presented by the Finance Minister today is promising on building consumer's confidence, investor's confidence & overall confidence and taken several steps to improve fiscal situation and boost growth of Indian economy to 7-8% in coming years. The Roadmap made for fiscal consolidation in the next 3 years is inspiring on reduced fiscal deficit at 4.1% of GDP in 2014-15, 3.6% in 2015-16 and 3% in 2016-17.

Further, the focus on rural infrastructure, agriculture infrastructure, urban infrastructure, manufacturing revival, tourism, education, banking and finance and foreign direct investments would go a long way to rejuvenate the economic growth, going forward. Focus on GST implementation and discussions with State Governments are also encouraging.

HIGHLIGHTS OF CHANGES IN INDIRECT TAXES:

We are presenting you detailed analyses of changes made in Indirect Taxes viz. Service Tax, Excise and Customs vide the Union Budget, 2014.

UNION BUDGET 2014: CHANGES IN SERVICE TAX:

After the introduction of the Negative List based Service tax regime in July, 2012, the emphasis has been to ensure stability and continuity. The main focus in service tax at the present juncture is to widen the tax base and enhance compliance.

The changes being made by amendments in Notifications and Rules can be categorized into two broad categories based on when they would come into effect: (i) changes which will have immediate effect; and (ii) changes which are proposed to be given effect to only from 1st October, so as to coincide with the Service Tax Return cycle.

As far as statutory amendments are concerned, they would come into effect only from the date on which the Bill receives the assent of the President.

A. Changes In Chapter V of the Finance Act, 1994 (Will Come Into Force When the Finance Bill (No.2), 2014 is enacted):-

I. Changes in relation to the Negative list:-

- To broaden the tax base in Service tax, Sale of space or time for advertisements in broadcast media, namely radio or television, extended to cover such sales on other segments like online and mobile advertising, etc. Sale of space for advertisements in print media however would remain excluded from Service tax.

Mobile: +91 98106 04563; E-mail: bimaljain@hotmail.com

Bimal Jain

FCA, FCS, LLB, B.Com (Hons)

- Service provided by radio-taxi brought under the Service tax. The abatement presently available to rent-a-cab service would also be made available to radio taxi service, to bring them on par.

II. Other Important Changes in the Finance Act, 1994:-

1. Variable Rates of Interest for Delayed Payment of Service Tax Prescribed By Notification No. 12/2014-ST Dated 11-7-2014:-

- To encourage prompt payment of Service tax, new interest rates on delayed payments under Section 75 of the Finance Act, 1994, which would vary as per the extent of delay has been prescribed as under:

Extent of delay	Simple interest rate per annum
Up to six months	18%
More than six months and up to one year	18% for first six months and 24% for the period of delay beyond six months.
More than one year	18% for first six months, 24% for second six months and 30% for the period of delay beyond one year

This new interest rate regime will become operational from October 1, 2014 up to which the rate of interest of 18%, as presently applicable, will continue to apply.

E.g. Assume a case, where service tax became due, say, on the 6th of July, 2012 and the assessee pays the dues on 6th of December, 2014. In such a case, the interest to be charged would be as below:

- (i) 18% simple interest upto September, 30th, 2014.
- (ii) For the period from 1st October, 2014 to 6th December, 2014, the rate of interest will be 30% since the period of delay is beyond one year.

As specified in the proviso to section 75, three per cent concession on the applicable rate of interest will continue to be available to the small service providers, whose value of taxable services provided in a financial year does not exceed Sixty lakh rupees during any of the financial years covered by the notice or during the last preceding financial year, as the case may be.

Mobile: +91 98106 04563; E-mail: bimaljain@hotmail.com

Bimal Jain

FCA, FCS, LLB, B.Com (Hons)

2. Changes in Advance Ruling Under Section 96A(b)(iii) of The Finance Act, 1994 Vide Notification No. 15/2014-ST Dated 11-7-2014 (Effective From July 11, 2014):-

- The Resident Private Limited Company has also been included as a class of persons eligible to make an application for Advance Ruling in Service tax.

3. Other Changes :

Changes in Section 67A of the Finance Act, 1994:

Section 67A is amended enabling Government to prescribe rules for determination of rate of exchange for calculation of taxable value in respect of certain services. Rules will be prescribed in due course, after the Bill receives the assent.

Changes in Section 73 of the Finance Act, 1994:

Section 73 is amended providing time limits for completion of adjudication already existing in Central Excise which are to be followed, as far as possible.

Changes in Section 80 of the Finance Act, 1994:-

Section 80 is amended excluding reference of first proviso to Section 78 wherein power was granted to waive the 50% penalty imposable in cases where Service tax has not been levied, not paid or short levied or short paid on account of suppression of facts or wilful misstatement but details of transactions are available in the specified record. The said power has now been removed.

Changes in Section 82 of the Finance Act, 1994:-

Section 82(1) is amended along with Section 12F(1) of the Central Excise Act 1944, whereby the Joint Commissioner or Additional Commissioner or any other officer notified by the Board can authorize any Central Excise Officer to search and seize.

Changes in Section 86(6A) of the Finance Act, 1994:-

Section 86(6A) is amended to provide that every application made before the Appellate Tribunal in an appeal for rectification of mistake or for any other purpose or for restoration of an appeal or an application only shall be accompanied by a fee

Bimal Jain

FCA, FCS, LLB, B.Com (Hons)

of five hundred rupees. However, earlier the appeal for grant of stay was also to be accompanied by a fee of five hundred rupees.

- **Changes in Section 87 of the Finance Act, 1994:-**

Section 87 is amended by incorporating power to recover dues of a predecessor from the assets of a successor purchased from the predecessor on the same line as it is provided under Section 11 of the Central Excise Act, 1944.

- **Changes in Section 94 of the Finance Act, 1994:-**

Section 94 is amended to obtain the power to make Rules on the following:-

(a) Imposition on assessee the duty of furnishing information, keeping records and making returns and specify the manner in which they shall be verified.

(b) For withdrawal of facilities or imposition of restrictions including restrictions on utilization of Cenvat credit on service provider or exporter, to check evasion of duty or misuse of Cenvat credit.

(c) To issue instructions in supplemental or incidental matters.

- **Changes in Section 95 of the Finance Act, 1994:-**

After sub-section (1J), the sub-section (1K) has been inserted in Section 95 providing that if any difficulty arises in giving effect to Section 106 of the Finance Act, 2014 related to amendments made by the said Act, the Central Government may, by an order, not later than one year from the date on which the Finance Bill, 2014 passes remove the difficulty.

- **Insertion of New Section 100 of the Finance Act, 1994:-**

Section 100 has been inserted stating that no Service tax shall be levied or collected in respect of taxable services provided by the Employees' State Insurance Corporation set up under the Employees' State Insurance Act, 1948 during the period prior to the July 1, 2012.

Mobile: +91 98106 04563; E-mail: bimaljain@hotmail.com

Bimal Jain

FCA, FCS, LLB, B.Com (Hons)

4. The Central Excise provisions made applicable to Service tax vide Section 83 of the Finance Act, 1994 is being amended to prescribe that the provisions of following Sections of the Central Excise Act shall apply, mutatis mutandis, to Service tax:-

- **Section 5A(2):** This Section prescribes that any explanation inserted in a Notification or special order at any time within one year of issue of notification or order, for clarifying the scope or applicability thereof, shall have effect from the date of issue of such notification or order.
- **Section 15 A:** This new Section is being inserted in the Central Excise Act to stipulate that third party sources shall furnish periodic information, as specified, in the manner as may be prescribed.
- **Section 15B:** This new Section is being inserted in the Central Excise Act to prescribe that failure to provide information under section 15A of the Act would attract penalty as specified.
- **Mandatory fixed Pre-deposit - Section 35F:** Section 35F of the Central Excise Act has already been made applicable to Service Tax. This section is being substituted with a new Section to prescribe a mandatory fixed pre-deposit of:
 - a) 7.5% of the duty demanded or penalty imposed or both for filing of appeal before the Commissioner(Appeals) or the Tribunal at the first stage; and
 - b) 10% of the duty demanded or penalty imposed or both for filing second stage appeal before the Tribunal. The amount of pre-deposit payable would be subject to a ceiling of Rs 10 Crore. All pending appeals/stay application would be governed by the statutory provisions prevailing at the time of filing such stay applications/appeals. This new provisions would, mutatis mutandis, apply to Service Tax.

B. Changes in the Mega Exemption List of Services Vide Notification No. 6/2014-ST Dated. 11-7-2014 amending Notification No. 25/2012-ST Dated. 20-6-2012 (Effective From 11-7-2014):-

- **Entry 2B:** For safe disposal of medical and clinical wastes, services provided by common bio- medical waste treatment facilities exempted.

Mobile: +91 98106 04563; E-mail: bimaljain@hotmail.com

Bimal Jain

FCA, FCS, LLB, B.Com (Hons)

- **Entry 7:** Exemption withdrawn to services by way of technical testing or analysis of newly developed drugs, including vaccines and herbal remedies on human participants by a clinical research organization approved to conduct clinical trials by the Drug Controller General of India.
- **Entry 9:** Concept of 'auxiliary educational services' has been omitted and the following services received by eligible educational institutions are exempted from service tax: (i) transportation of students, faculty and staff of the eligible educational institution; (ii) catering service including any mid-day meals scheme sponsored by the Government; (iii) security or cleaning or house-keeping services in such educational institution; (iv) services relating to admission to such institution or conduct of examination.

Further, for the purposes of this exemption, "educational institution" is being defined in the exemption notification 25/2012-ST as institutions providing educational services specified in the negative list.

Furthermore, the exemption hitherto available to services provided by way of renting of immovable property to educational institutions stands withdrawn.

- **Entry 18:** Service by way of renting of a hotel, inn, guest house, club or campsite or other *commercial* places meant for residential or lodging purposes, having a declared tariff of a unit of accommodation below rupees one thousand per day or equivalent is exempt from Service tax i.e. Exemption not available if declared tariff > Rs. 1,000/- Per day irrespective of fact whether for commercial purpose or not. Hence, this exemption, upto the specified threshold level, is available to any entity providing service by way of accommodation, including dharmashalas or ashram or such other entities. Tax base has been widened by removal of term 'other commercial places'.
- Exemption provided on Transport of organic manure by vessel, rail or road (by GTA) by amending entries at **Entry. No. 20 and 21**. Therefore, organic manure will be on par with fertilizer which is already exempted.
- Exemption provided on Services by way of loading, unloading, packing, storage or warehousing, transport by vessel, rail or road (GTA), of cotton, ginned or baled, [amendment of entry at **Entry. No. 20 & 21 and 40**].

Mobile: +91 98106 04563; E-mail: bimaljain@hotmail.com

Bimal Jain

FCA, FCS, LLB, B.Com (Hons)

- **Entry 23:** Presently service of passenger transportation by a contract carriage other than for the purposes of tourism, conducted tour, charter or hire, is exempt from Service tax. The scope of exemption is being reduced by withdrawing the exemption in respect of air-conditioned contract carriages. As a result, any service provided for transport of passenger by air-conditioned contract carriage including which are used for point to point travel, will attract service tax, with immediate effect. Service tax will be charged at an abated value of 40% of the amount charged from service receiver; therefore, effective tax will be 4.944%.
- **Entry 25:** The exemption in respect of services provided to Government or local authority or Governmental authority has been made more specific. Services by way of water supply, public health, sanitation conservancy, solid waste management or slum improvement and up-gradation will continue to remain exempted but the exemption would not be extendable to other services such as consultancy, designing, etc., not directly connected with these specified services.
- **Entry 26A:** Exemption available for specified micro insurance schemes approved by IRDA expanded to cover all life micro-insurance schemes where the sum assured does not exceed Rs. 50, 000/- per life insured.
- **Entry 41:** Specialized financial services received by RBI from outside India, in the course of management of foreign exchange reserves, e.g. external asset management, custodial services, securities lending services, are being exempted.
- **Entry 42:** Exemption available on services provided by the Indian tour operators to foreign tourists in relation to tours wholly conducted outside India.
- New definition provided for certain terms - 'Educational institution', 'life micro insurance product', 'radio-taxi', 'recognised sports body' and deletion of term - 'auxiliary education service'

C. Changes in the Service Tax Rules, 1994 Vide Notification No. 9/2014-ST Dated. 11-7-2014 (Effective From 11-7-2014 Unless Otherwise Stated):-

- Service provided or agreed to be provided by a Director of a Company or body corporate to the said company or the body corporate has been brought under the

Mobile: +91 98106 04563; E-mail: bimaljain@hotmail.com

Bimal Jain

FCA, FCS, LLB, B.Com (Hons)

Reverse Charge Mechanism. Service receiver, who is a body corporate, will be the person liable to pay Service tax.

- Services provided by Recovery Agents to Banks, Financial Institutions and NBFCs has also been brought under the Reverse Charge Mechanism.
- E-payment of Service tax has been made mandatory with effect from October 1, 2014. Relaxation from e-payment may be allowed by the Deputy Commissioner/ Asst. Commissioner on case to case basis.

D. Changes in Reverse Charge Mechanism Vide Notification No. 30/2012-ST Dated 20-6-2012, duly amended by Notification No. 10/2014-ST Dated 11-7-2014 (Effective From 11-7-2014 Unless Otherwise Stated):-

- Corresponding changes pertaining to the services brought under Reverse Charge Mechanism (discussed in Point C, supra) have been made.
- In case of Renting of motor vehicle where the service provider does not take abatement, the portion of Service tax payable by the service provider and service receiver has been modified as 50% each effective from October 1, 2014.

E. Changes in the Service Tax (Determination of Value) Rules, 2006 Vide Notification No. 11/2014-ST Dated 11-7-2014 to amend Service Portion in Works Contract (Effective From 1-10-2014):-

- In Rule 2A of the Service Tax (Determination of Value) Rules, 2006, category 'B' and 'C' of Works Contract (reproduced below) has been merged into one single category, with percentage of service portion as 70%, for the chargeability of Service tax.

“(B) in case of works contract entered into for maintenance or repair or reconditioning or restoration or servicing of any goods, service tax shall be payable on seventy percent of the total amount charged for the works contract;

(C) in case of other works contracts, not covered under sub-clauses (A) and (B), including maintenance, repair, completion and finishing services such as glazing, plastering, floor and wall tiling, installation of electrical fittings of an

Mobile: +91 98106 04563; E-mail: bimaljain@hotmail.com

Bimal Jain

FCA, FCS, LLB, B.Com (Hons)

immovable property, service tax shall be payable on sixty per cent of the total amount charged for the works contract;”

F. Changes in the Point of Taxation Rules, 2011 (“The POT Rules”) Vide Notification No. 13/2014-ST Dated 11-7-2014, by amending Point of Taxation in respect of Reverse Charge (Effective From 1-10-2014):-

- The Point of Taxation in respect of Reverse Charge under the first Proviso to Rule 7 of the POT Rules has been amended to be the payment date or the first day that occurs immediately after a period of three months from the date of invoice, whichever is earlier.
- The said amendment will apply only to invoices issued after October 1, 2014. A transition rule for the same has also been prescribed under new Rule 10 of the POT Rules, which provides as under:

“10. Notwithstanding anything contained in the first proviso to rule 7, if the invoice in respect of a service, for which point of taxation is determinable under rule 7 has been issued before the 1st day of October, 2014 but payment has not been made as on the said day, the point of taxation shall,—

(a) if payment is made within a period of six months of the date of invoice, be the date on which payment is made;

(b) if payment is not made within a period of six months of the date of invoice, be determined as if rule 7 and this rule do not exist.”

G. Changes In Notification No. 12/2013-ST Dated 1-7-2013 relating To Exemption From Service Tax To SEZ Units or the Developer Vide Notification No. 7/2014-ST Dated 11-7-2014 (Effective From 11-7-2014):-

- It is provided that the Central Excise Officer would issue authorization in Form A-2, within fifteen working days from the date of receipt of Form A-1.
- Authorization shall be valid from the date on which Form A-1 is verified by the Specified Officer of SEZ. However, if Form A-1 is furnished after a period of 15 days

Mobile: +91 98106 04563; E-mail: bimaljain@hotmail.com

Bimal Jain

FCA, FCS, LLB, B.Com (Hons)

from the date of its verification by the Specified Officer, the authorization shall have validity from the date on which it is furnished.

- SEZ Units or the Developer will, pending issuance of Form A-2, be entitled to avail upfront exemption on the basis of Form A-1. However, in such a case, the SEZ Unit/ Developer would be required to furnish a copy of authorization issued by the Central Excise Officer within 3 months from the date of receipt of specified services. If a copy of authorization is not provided within the said period of 3 months, the service provider shall pay Service tax on the service so provided availing the exemption.
- As regards services covered under full Reverse Charge, it is mentioned specifically in Form that there would be no requirement of furnishing service tax registration number of service provider.
- It is provided that a service shall be treated as exclusively used for SEZ operations if the recipient of service is SEZ unit or developer, invoice is in the name of such unit/ developer and the service is used exclusively for furtherance of authorized operations in SEZ.
- Certain doubts have been raised by field formations as regards the jurisdiction for the purposes of granting refunds under notification No. 12/2013-ST to the SEZ Units and SEZ Developers. It is clarified that the jurisdictional Deputy Commissioner/ Assistant Commissioner of Central Excise for all purposes under the said notification would be the authority with whom SEZ Units or the Developers are registered for taking upfront exemption or for the purposes of Chapter V of the Finance Act, 1994. In this context, attention is also invited to Circular No. 105/08/2008-ST, dated 16.9.2008. If SEZ units have obtained a centralized registration under the Service Tax Rules, it will have option to file a common service tax refund in respect of all units covered under the Centralized Registration or file a unit-wise refund at its option, to the authority having jurisdiction over centralized registration.

H. Changes In Abatement Notification No. 26/2012-ST Dated 20-6-2012 Vide Notification No. 8/2014-ST Dated 11-7-2014 (Effective From 11-7-2014 Unless Otherwise Stated):-

- It is clarified that abatement on the GTA services is applicable only if Cenvat credit on inputs, capital goods and input services is not availed by the service provider. Service

Mobile: +91 98106 04563; E-mail: bimaljain@hotmail.com

Bimal Jain

FCA, FCS, LLB, B.Com (Hons)

recipient will not be required to establish satisfaction of this condition by the service provider.

- Taxable portion in respect of transport of goods by vessel has been reduced from 50% to 40% with effect from October 1, 2014.
- Service related to transportation of passenger by air-conditioned contract carriages or radio taxi has now become taxable. Therefore, a new entry is inserted at Sr. No. 9A providing taxable portion of such services to be 40% with the condition that Cenvat credit of inputs or capital goods or input services has not been availed.
- The condition in entry No. 9 is amended with effect from October 1, 2014 allowing credit of input service of renting of a motor cab if such services are received from a person engaged in the similar business i.e. a sub-contractor providing services of renting of motor cab to the main contractor. The whole of the Cenvat credit has been allowed with respect to input service of renting of any motor cab, received from a person who is paying Service tax on 40% of the value of services. The Cenvat credit eligibility will be restricted to 40% of the credit of the input service of renting of any motor cab if Service tax is paid or payable on full value of the services i.e. no abatement is availed.
- Effective from October 1, 2014, the service of tour operator is also being allowed to avail Cenvat credit on the input service of another tour operator, which are used for providing the taxable service.

I. Changes in Place of Provision of Services Rules, 2012 ("The POP Rules") Vide Notification No. 14/2014-ST Dated 11-7-2014 (Effective From 1-10-2014):-

- Definition of 'Intermediary' has been amended to include intermediary of goods in its scope. Accordingly, an intermediary of goods, such as a commission agent or consignment agent shall be covered under Rule 9(c) of the POP Rules instead of Rule 3 of the POP Rules.
- Rule 4(a) of the POP Rules is not applicable on repair of goods imported temporarily into India and then exported after repairs without being put to any use in the taxable territory. It may be noted that this exclusion does not apply to goods that arrive in the taxable territory in the usual course of business and are subject to repair while

Mobile: +91 98106 04563; E-mail: bimaljain@hotmail.com

Bimal Jain

FCA, FCS, LLB, B.Com (Hons)

such goods remain in the taxable territory, e.g., any repair provided in the taxable territory to containers arriving in India in the course of international trade in goods will be governed by Rule 4 of the POP Rules.

- From the scope of Rule 9(d) of the POP Rules, the services related to hiring of Vessels (excluding yachts) and Aircraft has been excluded and will be covered by the general Rule i.e. location of the Service Receiver.

J. Changes In Cenvat Credit Rules, 2004 Vide Notification No. 21/2014-Central Excise (N.T.) Dated. 11-7-2014 (Effective From 11-7-2014):-

- **Definition provided of 'Place of Removal':** A new sub-rule (qa) is being inserted in Rule 2 to introduce the definition of "place of removal.

"(qa) "place of removal" means-

(i) a factory or any other place or premises of production or manufacture of the excisable goods;

(ii) a warehouse or any other place or premises wherein the excisable goods have been permitted to be deposited without payment of duty;

(iii) a depot, premises of a consignment agent or any other place or premises from where the excisable goods are to be sold after their clearance from the factory,

from where such goods are removed;"

- **Time limit for availment of Cenvat Credit:** Rule 4(1) (for input credit) and Rule 4(7) (for input service credit) are being amended in order to fix a time limit of six months for availment of the CENVAT Credit. In case of service tax paid under full reverse charge, the condition of payment of invoice value to the service provider for availing credit of input services is being withdrawn. However, the said change is not applicable in respect of partial reverse charge.
- **Re-credit of Cenvat Credit on non receipt of export proceeds:** Re-credit of CENVAT credit reversed on account of non-receipt of export proceeds within the specified period or extended period, to be allowed, if export proceeds are received within one year from the period so specified or extended period. This can be done on the basis of documents evidencing receipt of export proceeds [Refer the newly inserted proviso to Rule 6(8)].

Mobile: +91 98106 04563; E-mail: bimaljain@hotmail.com

Bimal Jain

FCA, FCS, LLB, B.Com (Hons)

- **Input Service Distributor:** Rule 7 of the CENVAT Credit Rules, 2004, provides for the manner of distribution of common input service credit by the Input Service Distributor. This was amended vide notification No. 05/2014-CE (N.T.) amending, *inter-alia*, Rule 7(d), to provide for distribution of common input service credit among all units in their turnover ratio of the relevant period.

Some interpretational issues were raised regarding the amendment such as:

- (i) due to the use of the term “such unit” in Rule 7(d), the distribution of the credit would be restricted to only those units where the services are used, and
- (ii) the credit available for distribution would also get reduced by the proportion of the turnover of those units where the services are not used.

Please refer clarification provided vide Circular No. 178/04/2014-ST, dated 10.7.2014 illustrating the effect of the amendment carried out vide Notification No. 05/2014-CE (N.T.). It clarifies that the amended Rule 7 allows distribution of input service credit to all units (which are operational in the current year) in the ratio of their turnover of the previous year/previous quarter as the case may be.

- Rule 12A is being amended so as to disallow transfer of credit by a large taxpayer from one unit to another.

UNION BUDGET 2014: CHANGES IN EXCISE AND CUSTOMS:

Changes in Customs and Central Excise law and rates of duty have been proposed through the Finance (No.2) Bill, 2014 (Clauses 72 to 87 for Customs and Clauses 88 to 105, 107 and 110 for Central Excise). In order to prescribe effective rates of duty and to carry out changes in the Rules made under the respective Acts, the following Notifications are being issued:

CUSTOMS	Notification Nos.	Date
Tariff	No.11/2014-Customs to No.25/2014-Customs	July 11, 2014
Non-Tariff	No.50/2014-Customs(NT) and No.51/2014-Customs (NT)	July 11, 2014
CENTRAL EXCISE		
Tariff	No.8/2014-CE to No.20/2014-CE	July 11, 2014

Mobile: +91 98106 04563; E-mail: bimaljain@hotmail.com

Bimal Jain

FCA, FCS, LLB, B.Com (Hons)

Non-Tariff	No.17/2014-CE (NT) to No.22/2014-CE (NT)	July 11, 2014
------------	--	---------------

Unless otherwise stated, all changes in rates of duty take effect from the midnight of 10th/11th July, 2014. A declaration has been made under the Provisional Collection of Taxes Act, 1931 in respect of clauses 86, 87 [(1) and (9)(ii)], 104, 105(1), 107, and 110 of the Finance (No.2) Bill, 2014 so that changes proposed therein also take effect from the midnight of 10th/11th July, 2014.

The remaining legislative changes would come into effect only upon the enactment of the Finance (No.2) Bill, 2014. Retrospective amendments in the provisions of law or Notification issued under the respective Acts shall have the force of law only upon the enactment of the Finance (No.2) Bill, 2014 but with effect from the date indicated in the relevant clause or Schedule. These dates may be carefully noted.

Changes under the Central Excise Act, 1944 ("The Excise Act") and the Excise Tariff Act, 1985 ("The Excise Tariff")

I. Change in Rate of Excise duty or Exemption provided:-

- To incentivize expansion of processing capacity, reduction in Excise duty on specified food processing and packaging machinery from 10% to 6%.
- Reduction in the Excise duty from 12% to 6% on footwear of retail price exceeding Rs. 500 per pair but not exceeding Rs. 1,000 per pair.
- Withdraw concessional Excise duty (2% without Cenvat benefit and 6% with Cenvat benefit) on smart cards and a uniform Excise duty at 12%.
- To develop renewable energy, various items exempted from Excise duty.
- Exemption to Polyester Staple Fiber (PSF) and Polyester Filament Yarn (PFY) manufactured from plastic waste and scrap including PET bottles from Excise duty retrospectively with effect from 29th June, 2010 to 7th May, 2012.
- Prospective levy of a nominal duty of 2% without Cenvat benefit and 6% with Cenvat benefit on such PSF and PFY w.e.f. July 11, 2014.
- Concessional Excise duty of 2% without Cenvat benefit and 6% with Cenvat benefit on sports gloves.

Mobile: +91 98106 04563; E-mail: bimaljain@hotmail.com

Bimal Jain

FCA, FCS, LLB, B.Com (Hons)

- Excise duty on cigarettes is being increased by 72% for cigarettes of length not exceeding 65 mm and by 11% to 21% for cigarettes of other lengths. Similar increases are proposed on cigars, cheroots and cigarillos.
- Excise duty increased from 12% to 16% on pan masala, from 50% to 55% on unmanufactured tobacco and from 60% to 70% on Gutkha and chewing tobacco.
- Levy of an additional duty of Excise at 5% on aerated waters containing added sugar.
- To finance Clean Environment initiatives, Clean Energy Cess increased from Rs. 50 per tonne to Rs. 100 per tonne.

II. Amendments in the Central Excise Rules, 2002:-

- E-payment is being made mandatory for all assesseees subject to certain exceptions.
- Sub-rule (3A) of Rule 8 is being substituted to provide that in case of default in payment of duty, the assessee shall on his own pay a penalty of 1% per month on the amount of duty not paid for each month or part thereof.

(Please Refer Notification No.4/2002-Central Excise (NT) dated 1st March, 2002 as amended vide Notification No.19/2014-Central Excise dated 11th July, 2014)

III. Amendments in the Central Excise Valuation Rules, 2004:-

The Central Excise Valuation (Determination of Price of Excisable Goods) Rules, 2000 is being amended so as to provide that in cases where excisable goods are sold at a price below the manufacturing cost and profit and there is no additional consideration flowing from the buyer to the assessee directly or from a third person on behalf of the buyer, value for the assessment of duty shall be deemed to be the transaction value.

(Please refer Notification No.45/2000-Central Excise (NT) dated 30th June, 2000 as amended vide Notification No.20/2014-Central Excise dated 11th July, 2014)

IV. Authority for Advance Rulings:-

The Scheme of Advance Ruling is also being extended to Resident Private Limited Companies. *(Please refer Notification No.18/2014-Central Excise (N.T.))*

V. Unit Quantity Codes:-

Mobile: +91 98106 04563; E-mail: bimaljain@hotmail.com

Bimal Jain

FCA, FCS, LLB, B.Com (Hons)

The Schedules to the Customs and Central Excise Tariffs are being amended in respect of selected goods to match the Unit Quantity Codes prescribed therein with the ones that are actually used in trade and commerce. This would facilitate trade and improve data quality and compliance.

Changes under the Customs Act, 1962 ("The Customs Act") and the Customs Tariff Act, 1975 ("The Customs Tariff")

I. Change in Rate of Customs duty or Exemption provided:-

- Description of the product "sun dried dark seedless raisins" under Sl. No. 29 of the Notification No. 12/2012-Customs (T) dated March 17, 2012 is being changed to "dark seedless raisins".
- To boost domestic manufacture and to address the issue of inverted duties, Basic customs duty ("**BCD**") reduced on certain specified items.
- To encourage new investment and capacity addition in the chemicals and petrochemicals sector, BCD reduced on certain specified items.
- Steps taken to boost domestic production of electronic items and reduce our dependence on imports. These include imposition of BCD on certain items falling outside the purview of IT Agreement, exemption from Special Additional Duty ("**SAD**") on inputs/ components for PC manufacturing, imposition of education cess on imported electronic products for parity etc.
- Colour television picture tubes for use in manufacture of cathode ray televisions exempted from BCD to make cathode ray TVs cheaper and more affordable to weaker sections.
- To encourage production of LCD and LED TVs below 19 inches in India, BCD on LCD and LED TV panels of televisions below 19 inches reduced from 10% to Nil.
- To give an impetus to the stainless steel industry, increase in BCD on imported flat-rolled products of stainless steel from 5% to 7.5%.
- Concessional BCD of 5% extended to machinery and equipment required for setting up of a project for solar energy production.
- Specified inputs for use in the manufacture of EVA sheets and back sheets and flat copper wire for the manufacture of PV ribbons exempted from BCD.

Mobile: +91 98106 04563; E-mail: bimaljain@hotmail.com

Bimal Jain

FCA, FCS, LLB, B.Com (Hons)

- Reduction in BCD from 10% to 5% on forged steel rings used in the manufacture of bearings of wind operated electricity generators. Exemption from SAD of 4% on parts and raw materials required for the manufacture of wind operated generators.
- Concessional BCD of 5% on machinery and equipment required for setting up of compressed biogas plants (Bio-CNG).
- Anthracite coal, bituminous coal, coking coal, steam coal and other coal to attract 2.5% BCD and 2% CVD to eliminate all assessment disputes and transaction costs associated with testing of various parameters of coal.
- BCD on metallurgical coke increased from Nil to 2.5% in line with the duty on coking coal.
- Duty on ship breaking scrap and melting scrap of iron or steel rationalized by reducing the BCD on ships imported for breaking up from 5% to 2.5%.
- To prevent mis-use and avoid assessment disputes, BCD on semi- processed half cut or broken diamonds, cut and polished diamonds and coloured gemstones rationalized at 2.5%.
- To encourage exports, pre-forms of precious and semi-precious stones exempted from BCD.
- The duty free entitlement for import of trimmings & embellishments and other goods used by the readymade textile garment sector for manufacture of garments for export is being increased from 3% to 5%.
- Export duty on bauxite increased from 10% to 20%.
- For passenger facilitation, free baggage allowance increased from Rs. 35,000 to Rs. 45,000.

II. Authority for Advance Rulings:-

- The Scheme of Advance Ruling is also being extended to Resident Private Limited Companies. *(Please refer Notification No.51/2014-Customs (N.T.) dated July 11, 2014)*

Mobile: +91 98106 04563; E-mail: bimaljain@hotmail.com

Bimal Jain

FCA, FCS, LLB, B.Com (Hons)

Budget (2014-15) Notifications Service Tax dated 11.07.2014

Sl. No	Notification No.	Issue
1.	6/2014-ST dated 11 th July, 2014	Seeks to amend notification No. 25/2012- Service Tax, dated the 20th June, 2012, so as to amend certain existing entries granting exemption on specified services and inserting new entries for granting exemption from service tax on specified services
2.	7/2014-ST dated 11 th July, 2014	Seeks to amend notification No.12/2013-ST dated 1 st July, 2013, relating to exemption from service tax to SEZ Units or the Developer.
3.	8/2014-ST dated 11 th July, 2014	Seeks to amend notification No. 26/2012- Service Tax, dated 20th June, 2012, so as to make necessary amendments in the specified entries prescribing taxable portion and the conditions for availing the exemption therein.
4.	9/2014-ST dated 11 th July, 2014	Seeks to amend the Service Tax Rules,1994 so as to prescribe,- (i) the person liable to pay service tax for certain specified services and (ii) mandatory e-payment of service tax for all the assessees, with effect from 1 st October,2014.
5.	10/2014-ST dated 11 th July, 2014	Seeks to amend the notification No.30/2012-ST dated 20 th June,2012, so as to prescribe, the extent of service tax payable by the service provider and the recipient of service, for certain specified services.
6.	11/2014-ST dated 11 th July, 2014	Seeks to amend the Service Tax (Determination of Value) Rules, 2006 so as to prescribe the percentage of service portion in respect of works contracts, other than original works contract.
7.	12/2014-ST dated 11 th July, 2014	Seeks to notify the interest rate applicable in cases of delayed payment of service tax for the purposes of section 75 of
8	13/2014-ST dated 11 th July, 2014	Seeks to amend the Point of Taxation Rules, 2011, to prescribe the point of taxation for the services on which person liable to pay service tax is the recipient.
9	14/2014-ST dated 11 th July, 2014	Seeks to amend the Place of Provision of Services Rule, 2012, to prescribe or modify the place of provision of services for certain specified services.
10	15/2014-ST dated 11 th July, 2014	Seeks to specify the class of persons for the purposes of section 96A of the Finance Act,1994

Mobile: +91 98106 04563; E-mail: bimaljain@hotmail.com

Bimal Jain

FCA, FCS, LLB, B.Com (Hons)

Budget (2014-15) Notifications Central Excise Tariff dated 11.07.2014

Notification No.	Description
8/2014-CE	Seeks to amend notification No. 1/2011-CE, dated March 1, 2011 so as to make necessary changes in the specified entries therein.
9/2014-CE	Seeks to amend notification No. 2/2011-CE, dated March 1, 2011 so as to make necessary changes in the specified entries therein.
10/2014-CE	Seeks to amend notification No. 64/95-CE, dated March 16, 1995 so as to provide full exemption from excise duty to goods supplied to NTRO.
11/2014-CE	Seeks to amend notification No. 108/95-CE, dated August 28, 1995 so as to allow transfer/sale of goods procured prior to 1.3.2008 for use in projects financed by the UN or an international organization.
12/2014-CE	Seeks to amend notification No. 12/2012-CE, dated March 17, 2012 so as to make necessary changes in the specified entries therein.
13/2014-CE	Seeks to exempt from excise duty goods required for the National AIDS Control Programme funded by GFATM
14/2014-CE	Seeks to amend notification No. 33/2005-CE, dated September 8, 2005 so as to provide for full exemption from excise duty on machinery required for setting up of compressed biogas plant (Bio-CNG).
15/2014-CE	Seeks to amend notification No. 15/2010-CE, dated the February 27, 2010 so as to provide for exemption of excise duty on machineries required for initial setting up of solar energy production projects.
16/2014-CE	Seeks to amend Notification No. 42/2008-CE, dated July 1, 2008 so as to prescribe new rate of duty to Pan Masala and Gutkha.
17/2014-CE	Seeks to amend Notification No. 16/2010-CE, dated February 27, 2010 so as to prescribe new rate of duty to unmanufactured tobacco and chewing tobacco.
18/2014-CE	Seeks to amend Notification No. 23/2003-CE, dated March 31, 2003 so as to avoid double levy of cess on DTA clearances 100% EOUs.
19/2014-CE	Seeks to amend Notification No. 67/1995-CE, dated March 16, 1995 so as to exempt intermediate goods manufactured and consumed captively for further manufacture of matches.
20/2014-CE	Seeks to rescind Notification No. 03/2010-CE, dated June 22, 2010 so as to increase rate of Clean Energy Cess.

Mobile: +91 98106 04563; E-mail: bimaljain@hotmail.com

Bimal Jain

FCA, FCS, LLB, B.Com (Hons)

Budget (2014-15) Notifications Central Excise (Non-Tariff) dated 11.07.2014

Notification No.	Description
17/2014-CE (NT)	Seeks to amend Notification No. 49/2008-CE (NT), dated December 24, 2008.
18/2014-CE (NT)	Seeks to specify class of persons for the purposes of section 23A of the Central Excise Act, 1944.
19/2014-CE (NT)	Seeks to amend Central Excise Rules, 2002
20/2014-CE (NT)	Seeks to amend Central Excise Valuation Rules, 2008
21/2014-CE (NT)	Seeks to amend Cenvat Credit Rules, 2004
22/2014-CE (NT)	Seeks to amend Pan Masala Packing Machines (Capacity Determination and Collection of Duty) Rules, 2008

(This space is intentionally left blank)

Bimal Jain

FCA, FCS, LLB, B.Com (Hons)

Budget (2014-15) Notifications Customs Tariff dated 11.07.2014

Notification No.	Description
11/2014-Customs	Seeks to amend notification No. 24/2005-Customs dated March 1, 2005 so as to levy BCD @ 10% on specified telecommunication products not covered under the ITA.
12/2014- Customs	Seeks to amend notification No. 12/2012-Customs, dated March 17, 2012 so as to make necessary changes in the specified entries therein.
13/2014-Customs	Seeks to amend notification No. 81/2005-Customs, dated September 8, 2005 so as to reduce BCD to 5% on machinery required for setting up of compressed bio-gas (Bio-CNG) projects.
14/2014-Customs	Seeks to amend notification No. 01/2011-Customs, dated January 6, 2011 so as to reduce BCD to 5% and CVD to Nil on machinery for initial setting up of solar energy production projects.
15/2014- Customs	Seeks to amend notification No. 27/2011 Customs, dated March 1, 2011 so as to increase the export duty on Bauxite from 10% to 20%.
16/2014- Customs	Seeks to amend notification No. 09/2012 Customs, dated March 9, 2012 so as to increase the variation levels in respect of re-import of cut and polished diamonds.
17/2014- Customs	Seeks to amend notification No. 10/2008 Customs, dated January 15, 2008 so as to delete tariff item 3903 19 90 in respect of CECA.
18/2014-Customs	Seeks to amend notification No. 13/2012 Customs, dated March 17, 2012 so as to provide for levy of education cess on CVD portion of customs duty leviable on imported IT products.
19/2014-Customs	Seeks to amend notification No. 14/2012 Customs, dated March 17, 2012 so as to provide for levy of secondary and higher education cess on CVD portion of customs duty leviable on imported IT products.
20/2014- Customs	Seeks to amend notification No. 39/96-Customs, dated July 23, 1996 so as to omit the words 'Portable X-ray machine/system' and to provide exemption for goods imported by NTRO.
21/2014- Customs	Seeks to amend notification No. 21/2012 Customs, dated March 17, 2012 so as to make necessary changes in the specified entries therein.
22/2014- Customs	Seeks to amend notification No. 84/97-Customs, dated November 11, 1997 so as to allow transfer/sale/re-export goods imported prior to 1.3.2008 for use in projects financed by the UN or an international organization.

Mobile: +91 98106 04563; E-mail: bimaljain@hotmail.com

Bimal Jain

FCA, FCS, LLB, B.Com (Hons)

Budget (2014-15) Notifications Customs (Non-Tariff) dated 11.07.2014

Notification No.	Description
50/2014-Customs (NT)	Seeks to amend notification No. 30/98-Customs (NT) dated June 2, 1998 so as to amend Baggage Rules, 1998.
51/2014-Customs (NT)	Seeks to specify class of persons for the purposes of section 28E of the Customs Act, 1962.

(This space is intentionally left blank)

Mobile: +91 98106 04563; E-mail: bimaljain@hotmail.com

Bimal Jain

FCA, FCS, LLB, B.Com (Hons)

Hope the information will assist you in your Professional endeavours. In case of any query/information, please do not hesitate to write back to us.

Thanks & Best Regards

Bimal Jain

FCA, FCS, LLB, B.Com (Hons)

Flat No. 34B, Ground Floor,
Pocket-1, Mayur Vihar, Phase-I,
Delhi – 110091

DeskTel: +91-11-22757595/42427056

Mobile: +91 9810604563

Email: bimaljain@hotmail.com

Website: www.a2taxcorp.com

Disclaimer: *The contents of this document are solely for informational purpose. It does not constitute professional advice or recommendation of firm. Neither the authors nor firm and its affiliates accepts any liabilities for any loss or damage of any kind arising out of any information in this document nor for any actions taken in reliance thereon.*

Readers are advised to consult the professional for understanding applicability of this newsletter in the respective scenarios. While due care has been taken in preparing this document, the existence of mistakes and omissions herein is not ruled out. No part of this document should be distributed or copied (except for personal, non-commercial use) without our written permission.

Mobile: +91 98106 04563; E-mail: bimaljain@hotmail.com